

# Radio Milwaukee, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants

# Radio Milwaukee, Inc.

Years Ended December 31, 2016 and 2015

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## Independent Auditor's Report

Radio Milwaukee, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying consolidated financial statements of Radio Milwaukee, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Radio Milwaukee, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Milwaukee, Wisconsin  
July 7, 2017

# Radio Milwaukee, Inc.

## Consolidated Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,513,185	\$ 1,442,356
Accounts receivable, net	142,338	113,539
Current portion of pledges receivable, net	406,859	361,300
Prepaid expenses	15,854	9,327
<b>Total current assets</b>	<b>2,078,236</b>	<b>1,926,522</b>
Pledges receivable, less current portion, net	142,550	197,410
Unemployment reserve	13,708	10,042
Property and equipment, net	2,933,357	2,996,816
<b>TOTAL ASSETS</b>	<b>\$ 5,167,851</b>	<b>\$ 5,130,790</b>
Liabilities and Net Assets	2016	2015
Current liabilities:		
Accounts payable	\$ 49,904	\$ 25,554
Accrued payroll	26,344	18,144
Accrued expenses	6,771	10,576
Deferred revenue	7,089	13,447
<b>Total current liabilities</b>	<b>90,108</b>	<b>67,721</b>
Net assets:		
Unrestricted	4,383,625	4,322,941
Temporarily restricted	694,118	740,128
<b>Total net assets</b>	<b>5,077,743</b>	<b>5,063,069</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,167,851</b>	<b>\$ 5,130,790</b>

See accompanying notes to consolidated financial statements.

# Radio Milwaukee, Inc.

## Consolidated Statements of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual gifts and membership	\$ 553,245	\$ 260,527	\$ 813,772
Foundations	301,000	72,000	373,000
Underwriting	878,174	-	878,174
Public funding	167,412	-	167,412
Capital campaign contributions	-	12,950	12,950
In-kind donations	159,708	-	159,708
Event revenue	134,989	2,675	137,664
Interest income	1,291	236	1,527
Other income	40,251	-	40,251
Net assets released from restrictions	394,398	(394,398)	-
<b>Total support and revenue</b>	<b>2,630,468</b>	<b>(46,010)</b>	<b>2,584,458</b>
Expenses:			
Salaries and wages	1,234,236	-	1,234,236
Employee benefits	142,049	-	142,049
Payroll taxes	97,227	-	97,227
Professional fees - Administration	242,676	-	242,676
Station programming and related	195,804	-	195,804
Community outreach	202,711	-	202,711
Fundraising and member events	67,869	-	67,869
Postage and shipping	16,885	-	16,885
Office supplies	13,213	-	13,213
Telephone and internet	31,561	-	31,561
Equipment	9,503	-	9,503
Occupancy	73,273	-	73,273
Travel, conferences and meetings	18,238	-	18,238
Other operating	39,648	-	39,648
Depreciation	184,891	-	184,891
<b>Total expenses</b>	<b>2,569,784</b>	<b>-</b>	<b>2,569,784</b>
Changes in net assets	60,684	(46,010)	14,674
Net assets at beginning of year	4,322,941	740,128	5,063,069
<b>Net assets at end of year</b>	<b>\$ 4,383,625</b>	<b>\$ 694,118</b>	<b>\$ 5,077,743</b>

# Radio Milwaukee, Inc.

## Consolidated Statements of Activities (Continued)

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual gifts and membership	\$ 549,321	\$ 225,166	\$ 774,487
Foundations	322,500	47,000	369,500
Underwriting	688,066	-	688,066
Public funding	334,740	-	334,740
Capital campaign contributions	-	5,300	5,300
In-kind donations	88,069	-	88,069
Event revenue	118,642	800	119,442
Interest income	1,542	422	1,964
Other income	32,386	-	32,386
Loss on disposal of equipment	(71,146)	-	(71,146)
Net assets released from restrictions	530,933	(530,933)	-
<b>Total support and revenue</b>	<b>2,595,053</b>	<b>(252,245)</b>	<b>2,342,808</b>
Expenses:			
Salaries and wages	1,140,048	-	1,140,048
Employee benefits	126,546	-	126,546
Payroll taxes	97,796	-	97,796
Professional fees - Administration	131,355	-	131,355
Station programming and related	258,497	-	258,497
Community outreach	226,703	-	226,703
Fundraising and member events	72,324	-	72,324
Postage and shipping	19,444	-	19,444
Office supplies	11,078	-	11,078
Telephone and internet	18,911	-	18,911
Equipment	16,413	-	16,413
Occupancy	74,359	-	74,359
Travel, conferences and meetings	25,308	-	25,308
Other operating	36,336	-	36,336
Interest	53	-	53
Depreciation	154,482	-	154,482
<b>Total expenses</b>	<b>2,409,653</b>	<b>-</b>	<b>2,409,653</b>
Changes in net assets	185,400	(252,245)	(66,845)
Net assets at beginning of year	4,137,541	992,373	5,129,914
<b>Net assets at end of year</b>	<b>\$ 4,322,941</b>	<b>\$ 740,128</b>	<b>\$ 5,063,069</b>

See accompanying notes to consolidated financial statements.

# Radio Milwaukee, Inc.

## Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 14,674	\$ (66,845)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	184,891	154,482
Loss on disposal of equipment	-	71,146
Contributions restricted for capital campaign	(12,950)	(5,300)
Changes in operating assets and liabilities:		
Accounts receivable	(28,799)	(45,634)
Pledges receivable	(62,236)	(5,538)
Prepaid expenses	(6,527)	1,832
Accounts payable	2,978	(27,950)
Accrued payroll	8,200	(593)
Accrued expenses	(3,805)	-
Deferred revenue	(6,358)	2,922
Net cash provided by operating activities	90,068	78,522
Cash flows from investing activities:		
Capital expenditures	(100,060)	(290,103)
Net change in unemployment reserve	(3,666)	(5)
Net cash used in investing activities	(103,726)	(290,108)
Cash flows from financing activities:		
Collections of capital campaign pledges and gifts	84,487	195,694
Increase (decrease) in cash and cash equivalents	70,829	(15,892)
Cash and cash equivalents at beginning of year	1,442,356	1,458,248
Cash and cash equivalents at end of year	\$ 1,513,185	\$ 1,442,356
<b>Supplemental cash flow disclosures:</b>		
Cash paid for interest	\$ -	\$ 53
<b>Noncash investing activities:</b>		
Purchases of property and equipment included in accounts payable at year-end	\$ 21,372	\$ -

See accompanying notes to consolidated financial statements.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

Radio Milwaukee, Inc. (“Radio Milwaukee” or the “Organization”) was organized as a non-profit corporation to provide a local voice to the Milwaukee radio market. Through music and stories created for a culturally open-minded community, Radio Milwaukee is a catalyst for creating a better, more inclusive and engaged Milwaukee. On-air since 2007, the station reaches a new generation of radio listeners on air, on line, and in the community with a wide range of music and short-form public affairs programming to a diverse segment of the Milwaukee area. Working closely with Milwaukee Public Schools, Radio Milwaukee celebrates Milwaukee - its music, arts and culture, neighborhoods, and community organizations - by celebrating diversity, encouraging collaboration and community engagement, while promoting a positive global identity for Milwaukee.

Radio Milwaukee broadcasts on 88.9 FM, WYMS. The station is licensed by the Federal Communications Commission to Milwaukee Board of School Directors. Radio Milwaukee provides programming for the station, which also broadcasts school board meetings and other promotions of Milwaukee Public Schools.

Sound Foundation, LLC, (“Sound Foundation”), a Wisconsin limited liability corporation, was created in February 2013 for the purpose of purchasing property for studios and other functions of Radio Milwaukee. Radio Milwaukee is the sole member of Sound Foundation. Under the laws of the State of Wisconsin for limited liability companies, the member is typically not responsible for the business debts and liabilities of the limited liability company.

#### Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of Radio Milwaukee and Sound Foundation. All material intercompany balances and transactions have been eliminated in the consolidation.

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

#### Use of Estimates in Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect certain reported amounts of disclosures. Accordingly, actual results may differ from these estimates.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Radio Milwaukee and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or may not be met either by actions of Radio Milwaukee and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit Radio Milwaukee to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2016 and 2015.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### Accounts Receivable

Accounts receivable are generally uncollateralized underwriting contract obligations due upon performance. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of accounts receivable were reduced by allowances of \$3,000 that reflect management's estimate of uncollectible amounts at December 31, 2016 and 2015.

#### Pledges Receivable

Pledges are recorded as receivables in the year the pledge was made. Pledges and other promises to give whose eventual uses are restricted by the donor are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received.

Pledges receivable are reported in the consolidated statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as an increase in contribution revenue. The effective discount rates applied were 2.0% for pledges received in 2016 and 2015. Management individually reviews all pledges receivable and estimates the portion, if any, of the balance that will not be collected.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Unemployment Reserve**

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has an unemployment reserve established with an area financial institution of \$13,708 and \$10,042 at December 31, 2016 and 2015, respectively, to meet state funding requirements.

#### **Property and Equipment**

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, improvement and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives (see Note 4).

#### **Deferred Revenue**

Deferred revenue consists of funds received in advance of fundraising events and underwriting receipts received in advance of completion of the underwriting contracts. Revenues will be recognized in future periods as the revenue is earned.

#### **Contributions**

Contributions are recognized when the donor makes a promise to give to Radio Milwaukee that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### In-Kind Donations

Contributed services are reflected as both contribution revenue and expenses in the accompanying consolidated statements of activities at their estimated fair value at the date of receipt, if they meet the criteria defined in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25-16, *Contributed Services*. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Radio Milwaukee recognized \$159,708 and \$88,069 of in-kind services for the years ended December 31, 2016 and 2015, respectively.

In addition, Radio Milwaukee receives services from volunteers who give significant amounts of their time to Radio Milwaukee's programs and fundraising campaigns. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

#### Advertising and Promotion

Advertising and marketing costs are expensed as incurred and totaled \$69,735 and \$66,999 for the years ended December 31, 2016 and 2015, respectively.

#### Income Taxes

Radio Milwaukee is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Radio Milwaukee is also exempt from state income taxes on related income.

Radio Milwaukee recognizes the benefits of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. Radio Milwaukee has recorded no assets or liabilities related to uncertain tax positions.

Sound Foundation is considered a disregarded entity for income tax purposes.

#### Subsequent Events

Subsequent events have been evaluated through July 7, 2017, which is the date the consolidated financial statements were available to be issued.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 2: Functional Expenses

Program expenses relate to the development of radio programming, music, and music education. Expenses shown by their functional classification are as follows:

<i>Years Ended December 31,</i>	<b>2016</b>	<b>2015</b>
Program	\$ 1,708,114	\$ 1,619,594
Management and general	496,222	424,376
Fundraising	365,448	365,683
<b>Total expenses</b>	<b>\$ 2,569,784</b>	<b>\$ 2,409,653</b>

### Note 3: Pledges Receivable

Pledges receivable consist of the following:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Less than one year	\$ 448,859	\$ 400,300
One to five years	134,250	174,110
More than five years	25,000	50,000
Gross pledges receivable	608,109	624,410
Less:		
Allowance for uncollectible pledges receivable	(45,000)	(46,000)
Unamortized present value discount	(13,700)	(19,700)
Pledges receivable, net	549,409	558,710
Less - Current portion	(406,859)	(361,300)
<b>Pledges receivable, less current portion, net</b>	<b>\$ 142,550</b>	<b>\$ 197,410</b>

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 4: Property and Equipment

Property and equipment consists of the following:

<i>As of December 31,</i>	Depreciable Lives	2016	2015
Land	Not Applicable	\$ 285,000	\$ 285,000
Building	35 years	2,283,063	2,283,063
Furniture, fixtures and equipment	3 to 10 years	214,179	208,272
Studio equipment	7 to 10 years	462,687	417,427
Software and information technology	3 to 7 years	202,139	91,874
Construction in progress	Not Applicable	-	40,000
Total property and equipment		3,447,068	3,325,636
Less: Accumulated depreciation		(513,711)	(328,820)
Property and equipment, net		\$ 2,933,357	\$ 2,996,816

### Note 5: Line of Credit

Radio Milwaukee has a \$100,000 line of credit with an area bank which is collateralized by a general business security agreement. Interest is payable monthly at the London Interbank Offered Rate (LIBOR) plus 2.00% (2.62% at December 31, 2016). There was no balance outstanding on the line of credit at December 31, 2016 and 2015. The line of credit matures in September 2017.

### Note 6: Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time and use. Temporarily restricted net assets consist of the following:

<i>As of December 31,</i>	2016	2015
Pledges receivable:		
Operations	\$ 315,202	\$ 252,966
Capital campaign	234,207	305,744
Purpose - Capital campaign	144,709	181,418
Temporarily restricted net assets	\$ 694,118	\$ 740,128

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 6: Temporarily Restricted Net Assets (Continued)

Reclassifications from temporarily restricted net assets to unrestricted net assets occur when Radio Milwaukee fulfills the purpose for which the net assets were restricted by the donor, the donor-imposed restrictions expire with the passage of time, or a restriction is withdrawn. Net assets released from restriction as reported on the consolidated statements of activities were as follows:

<i>Years Ended December 31,</i>	<b>2016</b>	<b>2015</b>
Community programming	\$ 272,966	\$ 267,428
Building and equipment	121,432	263,505
Net assets released from restrictions	\$ 394,398	\$ 530,933

### Note 7: Retirement Plan

Radio Milwaukee sponsors a 401(k) plan covering substantially all employees which provides for employer matching contributions of up to 3% of employee wages plus one half of the next 2% of deferrals. Radio Milwaukee may also extend an annual profit sharing contribution to all participating employees at its discretion. For the years ended December 31, 2016 and 2015, retirement plan expense was \$36,048 and \$34,581, respectively.

### Note 8: Concentrations

Radio Milwaukee maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured.

For the years ended December 31, 2016 and 2015, support from one donor constituted 14.6% and 11.5% of total support, respectively.

Pledges receivable from one donor constitute 24.7% and 28.0% of total pledges receivable at December 31, 2016 and 2015, respectively.

### Note 9: Related Parties

Radio Milwaukee leases space within their offices to a for-profit company (the "Lessee") whose owner is a member of Radio Milwaukee's Board of Directors. The lease term expires August 2019, with options for renewal and calls for monthly payments of rent of \$1,813 plus the Lessee's pro rata share of Radio Milwaukee's operating expenses of the space. For the years ended December 31, 2016 and 2015, rent revenues from the lease were \$21,250 and \$21,000 and shared operating expenses were \$9,479 and \$12,197, respectively.

Revenues received from underwriting contracts with the Lessee were \$7,245 for each of the years ended December 31, 2016 and 2015. Balances due from the Lessee under underwriting contracts as of December 31, 2016 and 2015, were \$1,210.

# Radio Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### **Note 10: Reclassifications**

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 classifications. The 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation by increasing professional fees-administration and decreasing station programming and related by \$64,453. Such reclassifications had no effect upon net assets or the change in net assets.